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SUBJECT: CANADA: COULD GOMERY REVELATIONS TRIGGER AN ELECTION?

1. (SBU) Summary: The possibility of early elections has always been in the background for this minority government, but the revelations coming out of the Gomery inquiry over the past several days have moved that possibility to the foreground. Testimony by ad executive Jean Brault, which remains under a publication ban but leaked out through a US website, was characterized by Deputy Conservative Leader Peter MacKay as something that, if verified, could blow the doors right off this government.8 It is still anything but clear how this will all play out but there are huge equities involved -- for all the parties, for party leaders, and for the future of Quebec and separatism. All parties are rattling sabers, but they are still sheathed sabers at this point.

2. (SBU) If the testimony is as bad as has been described, however, and if the Liberals are not successful in their continuing campaign of damage control, it could get to the point where the Conservatives would no longer be punished for calling an election, and might well be dismissed as impotent for not doing so. Timing will be everything, and the key piece of timing will be when the testimony is revealed. This could be as early as this week if the Brault criminal trial is pushed back to the fall, or later in the year when the Gomery findings are published. The sure winner in all this is the separatist Bloc Quebecois, with the Liberals a sure loser. What is not clear is whether the Conservatives can get their act together to reap the spoils. End Summary

ELECTION RUMBLINGS GROW

3. (U) For the second time in 10 days there are rumblings of elections, with prominent Conservative MPs returning to their ridings to take soundings from constituents and one MP saying he was returning this week to prepare for an election. The Conservative Party has renewed an order for ridings to secure candidates in case Canada goes to the polls, an order that was originally issued in December but was largely ignored because the likelihood of an election was assumed to be so low.

4. (U) The first talk of a snap election occurred the week of March 28 and was triggered by the government's handling of the omnibus budget implementation bill, to which the Liberals had appended changes to the Canadian Environmental Protection Act. These changes were not included in February's budget documentation. The Conservatives claimed that the removal of the word &toxic8 from the act and the inclusion of &greenhouse gas emissions8 on the list of controlled substances would have over-taxed Canadian industry and driven up consumer costs. Conservatives indicated that they wanted the bill broken up into three parts: the budget itself, the Kyoto-related measure to amend the Environmental Protection Act, and implementation of the Atlantic Accord on off-shore oil revenue.

5. (U) Some observers believe that Conservative Leader Harper was merely flexing his muscles to regain some control over the details of the budget, after being forced to go along with the budget vote or risk an election in February. He threatened that the Conservatives might vote the bill down, even if it meant a snap election. But neither Harper nor Martin wanted an election, and both sides blinked -- Harper by scaling back his threat and seeking a compromise, and Martin by allowing the Environment Minister to indicate that the environmental provisions could indeed be made into separate legislation. By week's end the issue was defused.

GOMERY INQUIRY TESTIMONY &EXPLOSIVE8

6. (SBU) But the question of early elections came back with a vengeance on April 4, when new revelations from the Gomery inquiry began to leak out. Jean Brault, the former president of the ad agency Groupaction, began his testimony on the role his organization played in the Adscam scandal, in which millions of dollars in government funds intended to shore up support for federalism in Quebec were siphoned off to Liberal supporters. Details of the scandal were seedy enough to all

Canadians, and insulting enough to Quebecers -- who saw a federal government trying to buy their loyalty -- that the Liberals were knocked down to minority status and almost lost the 2004 election. But the details were always sketchy enough to provide a measure of impunity for the Liberals, or at least a way to avoid full and direct indictment of the party.

17. (SBU) Brault's testimony appears ready to change that, as one conservative told a National Post reporter, "before we knew money was stolen, now we know by whom."8 Because Brault is up for criminal indictment, Justice John Gomery ordered a publication ban. Former bureaucratic Chuck Guite and ad executive Paul Coffin, who are also facing charges, will also have their upcoming testimony protected. But American conservative blogger Ed Morrissey has begun to leak information from an inside source and the background of Brault's testimony is fast becoming public. Morrissey's story provided some details of what the shady dealings were, but left the important question of who ordered it, unanswered. Deputy Opposition Leader Peter MacKay characterized the testimony as "explosive,"8 and said "if the information is true, it could blow the door right off this government."8

18. (SBU) The key question is when the testimony will be made public. This in turn could depend on when Brault goes to trial in the criminal case. If the case moves forward immediately, the ban will remain in place and the information will not be fully out until the Gomery Commission report is released at the end of the year. But Brault's lawyers are seeking a delay in the trial until the fall, which would give Judge Gomery the option to lift parts of the publication ban as early as this week. This then would put the election strategists in high gear.

19. (SBU) The Liberals are engaged in a high stakes game of damage control, calling in the RCMP to assess whether fraud has been committed against the party, and obtaining full standing at the Gomery inquiry, with full entitlement to cross examine witnesses. PM Martin rose in the House April 4 to defend the party against the "rumors or the actions of the activities of a very small few who may have colluded against the party and against the well-being of Canadians."8 In the most tense and spirited question period we have observed, the PM also dismissed the call for a snap election until the Gomery report is complete, "because Canadians deserve to know the facts."8

WINNERS AND LOSERS IN A SNAP ELECTION

10. (SBU) The Conservatives until now have been extremely cautious not to trigger an election for which they would be punished at the polls -- there is still a sense here that the Canadian people would prefer to avoid the cost and hassle of a snap election. But at some point Canadians will also not want fear of an election to allow the government to act with impunity. If the Brault testimony is made public and is as bad as it is characterized, it would be difficult to defend the role of the conservatives as the Official Opposition if they did not call for a vote of confidence (which the Bloc could also do).

11. (SBU) If it came to an election, who would be the winners and losers?

-- Bloc Quebecois: In the Fall, commentators said that the Bloc had hit its high water mark by winning 54 out of Quebec's 75 seats. They were wrong. In a snap election the Bloc could increase its holdings by as many as nine seats according to commentator Andrew Cohen. Cohen is concerned by how the Gomery scandal is empowering the Bloc Quebecois not because overt support for separatism is growing but because it is the only viable alternative to the failing Liberals. In any event he believes that separatism is the de facto winner.

-- NDP: The NDP lost a number of seats in Manitoba and BC by less than 200 votes and could pick up a few seats in a snap election at the expense of the Conservatives or Liberals. The NDP exists largely in its own world, however, and will remain fairly constant.

-- Conservatives: To win the election, the Conservatives would have to draw away around a third of the 75 ridings that the Liberals won in 2004 in urban Ontario. The only ammunition they have to do so is scandal, since their social policy agenda, though clearly defined after their March convention, not only falls flat but alienates large swaths of the electorate. If the Brault revelations are serious, voters would still have to decide whether to vote Conservative or simply stay home. It is difficult to tell which way it would go, but a serious scandal is as good as it gets for the Conservatives, and the young turks in the party will likely argue that the party should take its chances.

-- Liberals: Corruption is the Liberal,s largest vulnerability and there is no question they would lose seats over serious, detailed, and true charges of malfeasance. Their success would depend on how skillfully they can isolate the damage and insulate current party leaders from implication of direct corruption. In any snap election, the Liberals will lose ground, the question is will they lose their governing status?

12. (SBU) Comment: We have tried hard not to cry wolf by suggesting that an election is just around the corner every time the Conservatives hold a press conference. In the current scenario there are still a number of off-ramps before an election: Will the Brault testimony be released? Will it be as bad has been characterized? Will the Conservatives cost-benefit calculation lead them to a no-confidence vote? But this is the first time there is a clear path to an election and we should begin to take the possibility of a spring election seriously.

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